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TO RUEHC/SECSTATE WASHDC PRIORITY 8982  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUCPDOG/USDOC WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA PRIORITY  
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY  
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INFO RUEHFK/AMCONSUL FUKUOKA 8514  
RUEHNH/AMCONSUL NAHA 0855  
RUEHNAG/AMCONSUL NAGOYA 5588  
RUEHKSO/AMCONSUL SAPPORO 9010  
RUEHOK/AMCONSUL OSAKA KOBE 2330  
RUEHBJ/AMEMBASSY BEIJING 2818  
RUEHMO/AMEMBASSY MOSCOW 3156  
RUEHUL/AMEMBASSY SEOUL 9490  
RUCNDT/USMISSION USUN NEW YORK 8881  
RHEHAAA/NSC WASHDC

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SIPDIS

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E.O. 12958: N/A

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SUBJECT: TOKYO MEDIA REACTION - U.S.-CHINA RELATIONS

¶1. LEAD STORIES: Top stories on Wednesday morning included Seven & i Holdings' decision to shut down four of its department stores, including one in central Tokyo.

¶2. "Sources of Friction Increasing between U.S. and China" The business-oriented Nikkei wrote (1/27): "A dark cloud is hanging over U.S.-China relations, which were previously in good shape. As the U.S. is likely to decide to sell arms to Taiwan, sources of bilateral conflict have expanded to include trade and censorship on the Internet, as well as issues in the security arena. Behind this development lies a harder line toward China being taken out of deference to the public opinion by the Obama administration, which is suffering from plunging popular support. China on its part is reacting strongly to the sale of arms to Taiwan, but this response appears to be partially intended to minimize domestic opposition. The bottom line for both governments is to avoid causing a serious rift."

¶3. "Beijing Ready to Halt Military Exchanges with U.S.?" A Beijing correspondent for the top-circulation, moderate Yomiuri stated (1/27): "The Hu administration is set to take a certain level of retaliatory measures, including the suspension of military exchanges with the U.S. that were resumed last year, on the grounds that Washington [by selling weapons to Taiwan] infringed on the 'core interest' of China's national security.... In addition to suspending military exchanges, China may assume an uncooperative stance toward the U.S. at such venues as UN Security Council discussions on Iran's nuclear development."

¶4. "China on Counter-Offensive" The conservative Sankei reported from Beijing (1/27): "The Chinese government

has reacted strongly to a speech by Secretary of State Clinton on January 21, during which she strongly criticized Chinese censorship on the Internet. Several government agencies have rebutted her opinion, while Chinese newspapers criticized the Secretary for 'meddling in the domestic affairs' of China. This counteroffensive apparently reflects frustration on the Chinese government's part with mounting support among Chinese Internet users for the Secretary's call for 'Internet freedom.'"

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